

## Message Text

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PAGE 01 QUITO 05819 032001Z

72

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 CIEP-03 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 FRB-03 XMB-07 OPIC-12 LAB-06 SIL-01

FEA-02 DRC-01 /173 W

----- 011541

R 031924Z SEP 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 2332

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ECON, ECIN, EINV, EC

SUBJ: ANDEAN PACT - CHILEAN FOREIGN INVESTMENT LAW

REF: SANTIAGO 4854

1. ECUADOREAN REACTION TO RECENTLY PASSED CHILEAN FOREIGN INVESTMENT LAW (DECREE 600) WHICH OTHER MEMBERS OF THE ANDEAN PACT VIEW AS VIOLATING DECISION 24 OF THE PACT, HAS BEEN LOW-KEYED AND RESTRAINED. THERE HAS BEEN LITTLE PUBLIC COMMENT ASIDE FROM A STATEMENT BY MINFIN MONCAYO THAT DECISION 24 HAS MANY ADVANTAGES FOR ECUADOR. EMBOFF WAS INFORMED BY FOREIGN MINISTRY AND COMMERCE AND INDUSTRY OFFICIALS THAT THE CHILEAN LAW IS UNDER STUDY BUT GOE'S POSITION WOULD NOT BE REVEALED BEFORE THE NEXT ANDEAN PACT MEETING IN LIMA IN SEPTEMBER.

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PAGE 02 QUITO 05819 032001Z

2. EMBOFF CONTACTED CHILEAN EMBASSY OFFICER ON SUBJECT OF

MINISTER OF ECONOMIC COORDINATION RAUL SAEZ' VISIT TO ECUADOR (AUGUST 17-20) AS PART OF HIS TOUR THROUGH ANDEAN PACT COUNTRIES TO EXPLAIN CHILE'S POSITION ON ITS FOREIGN INVESTMENT LAW AND DECISION 24. VISIT RECEIVED MINIMAL PRESS COVERAGE. CHILEAN EMBOFF SAID THAT IN MEETINGS WITH PRESIDENT RODRIGUEZ LARA, MINISTER OF FOREIGN AFFAIRS LUCIO PAREDES AND MINISTER OF COMMERCE AND INDUSTRIES RUBIO, SAEZ HAD OVERCOME THEIR INITIAL RESISTANCE AND CONVINCED THEM THAT A COMPLETE STUDY AND REVISION OF DECISION 24 WAS NECESSARY BUT THAT IT SHOULD BE TAKEN UP AT A SPECIAL FUTURE MEETING AND NOT AT THE UPCOMING MEETING IN LIMA. CHILEAN EMBOFF STATED THAT CHILE NOW EXPECTS ECUADOR'S SUPPORT FOR THIS POSITION AND FOR KEEPING CHILEAN LAW OFF THE AGENDA OF LIMA MEETING. HOWEVER, HE ADMITTED THAT THE ISSUE OF DECISION 24 AND CHILE'S FOREIGN INVESTMENT LAW MIGHT STILL COME UP FOR DEBATE THROUGH PRESSURE FROM OTHER MEMBERS.

3. ACCORDING TO CHILEAN EMBOFF, GOE MINISTERS HAD VERY LIMITED KNOWLEDGE OF CHILEAN LAW BEFORE SAEZ VISIT. SAEZ EMPHASIZED IN HIS MEETINGS THAT CHILE'S LAW WAS DIRECTED AT PRODUCTION FOR LOCAL CONSUMPTION AND EXPORT TO NON-ANDEAN PACT COUNTRIES AND WOULD NOT ENTER OTHER ANDEAN PACT COUNTRY MARKETS. HE STATED THAT PROVISIONS TO THAT AFFECT WERE CONTAINED IN DECREE 600.

4. COMMENT: A. ALTHOUGH ECUADOR HAS NEVER PROMULGATED REGULATIONS FOR THE ADMINISTRATION OF DECISION 24, IT HAS, AS PRESIDENT RODRIGUEZ LARA POINTED OUT IN A RECENT PRESS CONFERENCE, (QUITO 5812), CONSISTENTLY ABIDED BY THE DECISION IN PRACTICE. THE GOE ATTITUDE TOWARD NEW FOREIGN INVESTMENT REMAINS, AT BEST, AMBIVALENT. WITH HIGH PETROLEUM REVENUES THERE ARE THOSE WHO BELIEVE THAT ECUADOR HAS A REDUCED NEED FOR CAPITAL INVESTMENT. SOME OF THOSE, PARTICULARLY THE ADVISING AND TECHNICAL LEVEL OFFICIALS OF THE MINISTRY OF INDUSTRIES AND COMMERCE AND THE NATIONAL PLANNING BOARD, BELIEVE THAT APPROPRIATE TECHNOLOGY AND MANAGERIAL KNOW-HOW CAN ALSO BE BOUGHT FOR CASH. TO A CERTAIN EXTENT, THEY ARE CORRECT. AT THIS LEVEL, THE PETROLEUM PHENOMENON HAS PROBABLY HARDENED ATTITUDES IN FAVOR OF A TOUGH LINE ON DECISION 24. NEVERTHELESS, THERE ARE STILL INFLUENTIAL ECUADOREANS--IN OR CLOSE TO THE GOVERNMENT, SUCH AS FORMER INDUSTRIES MINISTER LIMITED OFFICIAL USE

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PAGE 03 QUITO 05819 032001Z

FRANCISCO ROSALES AND NUMEROUS REPRESENTATIVES OF THE FINANCIAL COMMUNITY, WHO HAVE A MORE REALISTIC (AND SELF-INTERESTED) CONCEPTION OF ECUADOR'S NEEDS WITH RESPECT TO INDUSTRIAL DEVELOPMENT.

B. GIVEN THE DIVERSITY OF OPINION WITH RESPECT TO FOREIGN INVESTMENT, THE EMBASSY CONTINUES TO BELIEVE THAT THE GOE WILL NOT TAKE THE LEAD IN EITHER OPPOSING OR ADMITTING CHILE'S "RE-INTERPRETATION" OF DECISION 24.

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## Message Attributes

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